

## Message Text

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PLS PASS TREASURY ATTACHE

FOLLOWING REPEAT JAKARTA 1702, SENT SECSTATE 07 FEB:

QUOTE LIMITED OFFICIAL USE JAKARTA 1702

FOR ASSISTANT SECRETARY HOLBROOKE FROM AMBASSADOR

E.O. 11652: N/A  
TAGS: EAGR, EAID, ID  
SUBJECT: INDONESIA'S FOOD PROBLEM AND U.S. ASSISTANCE

1. SUMMARY AND INTRODUCTION. WHILE I WAS IN WASHINGTON FOR MY SENATE CONFIRMATION HEARINGS IN NOVEMBER WE DISCUSSED THE CRUCIAL NEED FOR INDONESIA TO EXPAND ITS PRODUCTION OF FOOD. AFTER TWO MONTHS IN JAKARTA AND AN INTENSIVE REVIEW OF THIS PROBLEM I AM EVEN MORE CONVINCED THAT THIS COUNTRY MUST REDUCE ITS DEPENDENCE ON FOOD IMPORTS. WHEN I LEFT HERE IN 1968, MOST KNOWLEDGEABLE OBSERVERS BELIEVED INDONESIA WOULD BECOME SELF-SUFFICIENT IN FOODGRAINS WITHIN FIVE YEARS. THE ANNUAL DEFICIT THEN WAS ABOUT A MILLION TONS. THE MUCH TOUTED "GREEN REVOLUTION" HAS FAILED TO SOLVE THIS PROBLEM IN

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INDONESIA, AND THE DEFICIT IS NOW THREE TIMES THAT AMOUNT AND GROWING. THIS PUTS INCREASING STRAIN ON LIMITED FOREIGN EXCHANGE EARNINGS AND RAISES THE REAL THREAT OF ECONOMIC AS WELL AS POLITICAL DISASTER IN THIS MAJOR NATION IF THERE SHOULD AGAIN BE A SIGNIFICANT CROP FAILURE OR A SERIOUS WORLDWIDE FOOGRAIN SHORTAGE.

2. THIS MESSAGE EXAMINES INDONESIA'S FOOD PROBLEM AND RECOMMENDS COURSES OF ACTION FOR U.S. ASSISTANCE WITHIN THE CONTEXT OF INTERNATIONAL EFFORTS TO HELP MEET THIS COUNTRY'S BASIC FOOD NEEDS

AND AVERT THE CRISIS WHICH WOULD FOLLOW A REPETITION OF DROUGHT ON THE SCALE XPERIENCED IN 1972-73. IT REFLECTS MY OWN THINKING BUT DRAWS HEAVILY ON THE VIEWS OF THE USAID DIRECTOR AND HIS STAFF, THE AGRICULTURAL ATTACHE AND VARIOUS EMBASSY OFFICERS. WE DO NOT AT THIS POINT HAVE FINAL ANSWERS. THE ISSUES ARE COMPLEX AND MEETING THEM WILL BE INFLUENCED SIGNIFICANTLY BY OTHER FORCES (THE GOI, THE WORLD BANK AND OTHER BILATERAL DONORS). WE WILL WANT TO MAINTAIN SOME FLEXIBILITY PENDING RECEIPT OF THE WORLD BANK AGRICULTURAL STUDY NOW UNDERWAY AND A BETTER PICTURE OF THE INDONESIAN THIRD FIVE YEAR PLAN NOW IN PREPARATION. WE WILL ALSO WANT TO FOLLOW THROUGH ON WIDJOJO'S SUGGESTION TO ME LAST MONTH THAT WE COORDINATE OUR AGRICULTURAL PROGRAMS MORE CLOSELY WITH THE WORLD BANK, ADB, JAPANESE AND OTHER DONORS. NONETHELESS, THERE ARE SOME STEPS WE CAN AND SHOULD TAKE NOW, AND WE BELIEVE, NOW THAT INDONESIA'S FAMILY PLANNING PROGRAMS ARE WITH OUR HELP GOING SO WELL, WE SHOULD TURN OUR ATTENTION INCREASINGLY TO THE KEY PROBLEM OF FOOD PRODUCTION.

3. WE BELIEVE THAT OVER THE NEXT FIVE YEARS WE SHOULD DOUBLE AID PROJECT ASSISTANCE TO THE FOOD SECTOR -- TARGETING SOME SEVENTY PERCENT OF OUR BILATERAL AID ON AGRICULTURE/RURAL DEVELOPMENT -- AND THAT PL-480 PROGRAMS SHOULD CONTINUE AT LEAST AT THE CURRENT LEVEL. AS NOW FORESEEN, THIS WOULD MEAN THAT THE U.S. WOULD  
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PLAY THE LEADING ASSISTANCE ROLE IN DEVELTPING SKILLED MANPOWER FOR AGRICULTURE THROUGH AN ENCHANCED ROLE FOR U.S. UNIVERSITIES (TITLE XII); FOR THE U.S. TO PLAY AN INCREASINGLY IMPORTANT ROLE IN AGRICULTURAL RESEARCH, WHICH IS ALSO AN AREA OF SPECIAL STRENGTH AND IN WHICH IBRD WOULD BE THE SECOND KEY DONOR; FOR THE U.S. SELECTIVELY TO EXPAND ITS ASSISTANCE TO EXTENSION/RURAL DEVELOPMENT ACTIVITIES AIMED AT OVERCOMING INSTITUTIONAL BARRIERS AT THE LOCAL LEVEL OF GOVERNMENT; AND FOR THE U.S. TO CONTRIBUTE TO KEY FOOD PRODUCTION AND DISTRIBUTION EFFORTS, PARTICULARLY THROUGH IMPROVING THE EFFECTIVENESS OF OPERATION AND MAINTENANCE OF IRRIGATION SYSTEMS. PROJECT SPECIFIC IMPACT WOULD BE ENHANCED IF PL-480 TITLE III RESOURCES BECOME AVAILABLE AND ARE JOINTLY ADMINISTERED. WE WOULD HOPE, IN FACT, TO USE A TITLE III PROGRAM TO INDUCE THE GOI TO REDUCE INTERNAL CONSTRAINTS TO INCREASED FOOD GRAIN PRODUCTION.

4. A MAJOR EFFORT IS REQUIRED BY ALL DONORS TO CONVINCE INDONESIA TO ADOPT A LONG-TERM POLICY OF SELF-SUFFICIENCY IN FOOD, NOT MERELY SELF-SUFFICIENCY IN RICE. AS INDONESIANS BECOME MORE PROSPEROUS THEY ARE SHIFTING INCREASINGLY TO CONSUMPTION OF RICE AND, DESPITE SOME INCREASES IN PRODUCTION, THE PROSPECT FOR SELF-SUFFICIENCY IS ACTUALLY RECEDING. AN ABORTIVE EFFORT WHEN I WAS HERE BEFORE TO INTRODUCE INDONESIANS TO THE DELIGHTS OF IMPORTED BULGUR WHEAT POINTS UP THE DIFFICULTIES OF CHANGING EATING HABITS IN THE SHORT TERM, BUT I VELIEVE WE AND OTHER DONORS, IF WE ACT TOGETHER, CAN INDUCE THE GOI TO SHIFT FROM THE PRESENT

OVER-EMPHASIS ON RICE TO MULTI-CROPS.

5. I HAVE DEVOTED SPECIAL ATTENTION SINCE ARRIVING HERE  
TO THE RELATIVE EMPHASIS WHICH SHOULD BE GIVEN TO AGRICULTURE  
ON JAVA AS COMPARED TO THE OUTER ISLANDS, AND TO THE POSITION  
WE SHOULD TAKE WITH RESPECT TO TRANSMIGRATION. I AM PERSUADED  
THAT THE JAVA VS. OUTER ISLAND ISSUE IS NOT AN EITHER/OR  
PROPOSITION BUT RATHER CALLS FOR LARGER EFFOR TO IMPROVE  
AGRICULTURE IN BOTH LOCATIONS. PRODUCTION OF RICE IN JAVA IS  
MORE EFFICIENT THAN IN ANY NEIGHBORING COUNTRY. MORE INTENSIVE  
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CULTIVATION WILL PRODUCE EVEN GREATER YIELDS, AND WE SHOULD HELP  
THIS THROUGH CONCENTRATION ON IMPROVED IRRIGATION, PEST AND  
DISEASE CONTROL AND REDUCTIONS IN POST HARVEST LOSSES. HOWEVER,  
I BELIEVE IT IMPORTANT THAT WE ALSO SHIFT OUR ATTENTIN AND  
RESOURCES TO OTHER CROPS AND OTHER AREAS. HERE ALSO THERE ARE  
PROBLEMS. SOILS ARE WEAK AND FRAGILE IN MANY PARTS OF THE OUTER  
ISLANDS; WATER IN SOME AREAS IS LIMITED; AND WORKERS FROM JAVA  
FALL EASY PREY TO LOCAL DISEASES. BUT RESEARCH AND PILOT PROJECTS  
DESIGNED TO EXPAND PRODUCTION IN AREAS OUTSIDE JAVA SHOULD BE  
ACCELERATED.

6. A GOOD DEAL OF HEAT AND EMOTION HAVE BEEN GENERATED OVER THE  
WORLD BANK PLAN FOR A MAJOR PROJECT IN TRANSMIGRATION (MOVING  
PEOPLE FROM JAVA TO THE OUTERISLANDS). I DO NOT BELIEVE WE NEED  
LOCK HORNS IN A MAJOR BUREAUCRATIC BATTLE ON THIS ISSUE. I  
UNDERSTAND THAT, IN PART DUE TO NEGATIVE REACTIONS FROM OTHER  
DONORS, INCLUDING THE U.S., AND A MORE REALISTIC APPRAISAL  
BY THE WORLD BANK OF GOI CAPABILITIES TO CARRY OUT THIS  
PROGRAM, THE BANK HAS SCALED DOWN THE PROPOSED TRANSMIGRATION  
PLANS. REVISED TARGETS ARE EXPECTED TO RAISE LESS CAUSE FOR  
CONCERN. THUS FAR, NO SPECIFIC PROPOSALS HAVE BEEN PRESENTED  
BY THE BANK FOR US TO REVIEW. WE WILL MAINTAIN A WATCHFUL  
ROLE AND WEIGH IN WITH OUR VIEWS AS FIRM PLANS EMERGE. SEVERAL  
AID PROJECTS ON THE OUTER ISLANDS WILL CONTRIBUTE TO THE SUCCESS  
OF WHATEVER GOI-IBRD TRANSMIGRATION PROGRAM EVENTUALLY DEVELOPS,  
AND I BELIEVE WE CAN TURN THESE TO CONSTRUCTIVE CHANNELS.

7. IN SHORT, I BELIEVE THERE IS AN OPEN AND FAVORABLE OPPORTUNITY  
FOR US TO WORK CONSTRUCTIVELY WITH OTHER DONORS AND WITH THE  
GOI TO HELP INDONESIA COPE WITH THIS TRULY FORMIDABLE AND COMPLEX  
CHALLENGE. IN RECENT YEARS, WE HAVE DEVELOPED GOOD AND PRODUCTIVE  
RELATIONS WITH KEY INDONESIANS IN THE AGRICULTURAL SECTOR.  
THEY ARE RECEPTIVE, WITHIN LIMITS, TO OUR  
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ADVICE, AND WE HAVE THE CAPABILITY TO MAKE A SIGNIFICANT CONTRIBUTION

TO HELPING THIS COUNTRY MEET ITS FOOD DEFICIT. THIS WILL REQUIRE IMAGINATIVE PROGRAMMING ON OUR PART, FULL UTILIZATION OF ALL OUR ASSETS -- INCLUDING PL-480 TITLE III, AND BETTER COORDINATION WITH OTHER DONORS AND WITH THE GOI. THERE WILL BE FUNDING AND PERSONNEL IMPLICATIONS, BUT IF WASHINGTON SHARES MY VIEW OF THE IMPORTANCE OF INDONESIA AND OF THESE PROGRAMS, THEN I AM SURE THESE CAN BE OVERCOME. OUR SPECIFIC RECOMMENDATIONS ARE CONTAINED IN THE FINAL SECTIONS OF THIS MESSAGE. END SUMMARY AND INTRODUCTION.

8. THE FOOD PROBLEM AND ITS CAUSES. INDONESIA HAS TENDED IN RECENT YEARS TO CONCENTRATE ON ACHIEVING RICE SELF-SUFFICIENCY; INSTEAD IT SHOULD CONCENTRATE ON FOOD SELF-SUFFICIENCY. A DIRECT MEASURE OF THE PROBLEM IS THE SHARPLY RISING LEVEL OF GRAIN IMPORTS. DURING INDONESIAN FISCAL YEAR 1977-1978 GRAIN IMPORTS ARE EXPECTED TO TOTAL AT LEAST 3.5 MILLION METRIC TONS (2.5 MILLION RICE AND 1 MILLION WHEAT). MOST KNOWLEDGEABLE SOURCES ESTIMATE ANNUAL GRAIN IMPORTS OF 4 TO 5 MILLION TONS ON THE AVERAGE OVER THE NEXT 5 YEARS DEPENDING ON WEATHER AND OTHER FACTORS. A CROP FAILURE IN INDONESIA AND THE REST OF ASIA OF PROPORTIONS EXPERIENCED IN THE 1972-73 DROUGHT WOULD BE CALAMITOUS. INDONESIA ALREADY IMPORTS ONE-QUARTER THE RICE IN INTERNATIONAL TRADE AND ON A PER CAPITA BASIS IMPORTS MORE GRAIN, I BELIEVE, THAN INDIA IN ITS WORST YEARS.

9. A BROADER MEASURE OF THE FOOD PROBLEM IS PROVIDED BY:

A. THE STAGGERING IMPACT OF THE POPULATION EXPLOSION ON JAVA (84 MILLION PEOPLE ON AN AREA THE SIZE OF MISSISSIPPI, WITH AN AVERAGE FARM SIZE OF ONE ACRE);

B. FORMIDABLE OBSTACLES TO DEVELOPMENT/SETTLEMENT OF THE OUTER ISLANDS (MOST HOSPITABLE/PRODUCTIVE OF WHICH IS SUMATRA WITH AN AREA THE SIZE OF CALIFORNIA BUT WHOSE POPULATION IS ALREADY GREATER;

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C. MASSIVE UNDEREMPLOYMENT ESPECIALLY AMONG THE LANDLESS ON JAVA (ESTIMATED AT 30 MILLION) IMPOSING AN ADDED PROBLEM OF FOOD DISTRIBUTION DUE TO PAUCITY OF INCOMES;

D. LACK OF MINIMAL SKILLS REQUIRED TO MODERNIZE AGRICULTURE AND THE RURAL ECONOMY (FUNCTIONAL LITERACY PERHAPS 50 PERCENT, SECONDARY AND HIGHER EDUCATION STILL IN INFANCY RELATIVE TO NEEDS, LIFESPAN OF 47 YEARS WITH ONE DOCTOR PER 30-40,000 PEOPLE IN RURAL AREA WHERE 82 PERCENT OF THE PEOPLE LIVE);

E. SHARP SETBACKS IN RICE PRODUCTION IN THE PAST TWO CROP YEARS WHICH MOST OBSERVERS ATTRIBUTE TO TWO SUCCESSIVE YEARS OF LOW RAINFALL ALONG WITH GROWING PROBLEMS OF DISEASE AND PESTS (PLANT HOPPER) WHICH APPEAR ATTENDANT TO GREEN REVOLUTION'S NEW

SEEDS AND CHANGED FARM PRACTICES;

F. RISING LEVEL OF RICE CONSUMPTION PER CAPITA AS INCOMES  
RISE EATING HABITS CHANGE; AND

G. THE PLIGHT OF MILLIONS IN INDONESIA, PARTICULARLY AMONG THE  
VERY YOUNG, WHOSE NUTRITIONAL INTAKE IS INSUFFICIENT DUE BOTH TO  
MALDISTRIBUTION OF FOOD AND POOR KNOWLEDGE OF NUTRITION.  
INFANT AND CHILD MORTALITY IN INDONESIA, AT SOME 22 TO 25 PERCENT,  
IS AMONG THE WORLD'S HIGHEST.

10. THERE ARE ALSO A NUMBER OF SPECIFIC GOI POLICIES WHICH HAVE  
DIRECTLY OR INDIRECTLY CONTRIBUTED TO THE FOOD PROBLEM. THESE  
INCLUDE:

A. AN EMPHASIS ON CAPITAL INTENSIVE PROJECTS, MAINLY NATIONAL  
RESOURCE DEVELOPMENT WHOSE CONTRIBUTIONS TO THE ECONOMY IS OF A  
LONG-TERM NATURE, AT THE EXPENSE OF LESS SPECTACULAR, MORE  
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THORNY AGRICULTURE/RURAL DEVELOPMENT PROGRAMS;

B. THE RICE MENTALITY OF MOST INDONESIANS WHICH HAS  
RESULTED OF EFFORTS TO EXPAND PRODUCTION OF OTHER FOOD  
CROPS; AND

C. THE DECISION TO SUBSTITUTE AN AGRICULTURE COOPERATIVE  
STRUCTURE FOR THE TRADITIONAL MARKET SYSTEM, IN FACE OF  
THE GENERALLY UNSATISFACTORY PERFORMANCE OF THE COOPERATIVES IN  
INDONESIA.

11. ADDITIONAL PROBLEMS OF A LESS OBVIOUS NATURE HAVE SURROUNDED  
SUCH VITAL FUNCTIONS AS (1) FARM CREDIT, WHERE LOAN ARREARAGES  
POSE A SERIOUS PROBLEM; (2) IRRIGATION, WHERE POTENTIAL BENEFITS  
FROM HUGE INVESTMENTS IN MAJOR DIVERSION AND CANAL WORKS ARE NOT  
REALIZED BECAUSE OF FAILURE TO CONSTRUCT TERMINAL DISTRIBUTION/  
DRAINAGE  
SYSTEMS OR TO ORGANIZE FARMERS FOR SELF-SUSTAINING OPERATION AND  
MAINTENANCE; AND (3) THE RATION OF THE SUPPORT PRICE FOR RICE TO  
THE COST OF FERTILIZER WHICH, WHILE THEORETICALLY BALANCED BETWEEN  
THE INTERESTS OF THE CONSUMER AND THE PRODUCER, IN PRACTICE DOES  
NOT PROVIDE MUCH INCENTIVE TO THE PRODUCER. THE PRESENT POLICY IS  
MORE CONCERNED WITH THE CONSUMER THAN WITH THE PRODUCER, ALTHOUGH  
THE ISSUE IS CLOUDED IN INDONESIA WHERE VERY SMALL FARMERS ARE  
BY NECESSITY PURCHASERS OF RICE AS MUCH AS SELLERS.

12. IN SPITE OF THIS FORMIDABLE ARRAY OF PROBLEMS, FUTURE PROSPECTS  
SHOULD BE VIEWED IN LIGHT OF THE VERY CONSIDERABLE PROGRESS  
REGISTERED WITH SOME AGRICULTURE PROGRAMS DURING THE POST-  
SUKARNO DECADE AND THE RAPID SHIFT FROM A PRO-NATALIST POLICY  
TO FAMILY PLANNING.

A. AVERAGE RICE YIELDS PER HECTARE HAVE RISEN TO THE HIGHEST OR NEAR HIGHEST LEVEL YET ACHIEVED IN TROPICAL ASIA (1.89 MT MILLED RICE), WHICH EXCEEDS NATIONAL AVERAGES FOR THE SUBCONTINENT, THAILAND, BURMA, PHILIPPINES AND INDOCHINA;  
B. AN ACTIVE NATIONAL RICE RESEARCH PROGRAM HAS BEEN  
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ESTABLISHED AT BOGOR WITH CLOSE TECHNICAL LINKAGES TO IRRI. THIS OFFERS HOPE THAT THE BREEDERS OF NEW DISEASE AND INSECT RESISTANT RICE VARIETIES WILL BE ABLE TO KEEP PACE WITH THE RAPID MULTIPLICATION OF TROPICAL PESTS AND DISEASE;  
C. AN IMPRESSIVE AMOUNT OF REGIONALLY SITUATED MODERN STORAGE WAREHOUSES HAS BEEN BUILT IN INDONESIA (OVER 1 MILLION TONS CAPACITY) AND MANAGEMENT OF FOOD RESERVES AND IMPORTS HAS BEEN SKILLFULLY HANDLED TO CONTROL THE SELLING PRICES IN ALL MAJOR MARKETS;  
D. THERE HAS BEEN A MARKED GROWTH IN BUDGET ALLOCATIONS FOR AGRICULTURE, EVEN THOUGH SOME OTHER SECTORS HAVE DONE BETTER;  
E. THERE HAS BEEN ACTIVE EXPERIMENTATION WITH A NUMBER OF RURAL DEVELOPMENT PROJECTS INCREASING THE GOI STAFF CAPACITY TO IMPROVE FUTURE PROGRAMS; AND  
F. THE DECADES LONG RISE IN POPULATION GROWTH RATE HAS LEVELED OFF AND IS DECLINING. AID AND SOME INDEPENDENT OBSERVERS ESTIMATE THE ANNUAL GROWTH RATE NOW TO BE JUST UNDER 2 PERCENT.

13. WHAT THE U.S. CAN DO.

A. THE COMPLEX PROBLEMS CITED ABOVE underscore the need for a broad-based set of policies and programs, which we have divided into traditional categories of research, education and extension. The concept of extension has been broadened to encompass a wide range of rural development projects. Notwithstanding the fact that the main effort to cope with its food problems must be Indonesian, there are clearly many areas where foreign technology and resources can and must make a marked difference. U.S. and other assistance programs have been moving in this direction for several years and are in a good position to expand and further concentrate on key obstacles to food production/distribution and rural employment.  
B. THE AID DIRECTOR AND I BELIEVE THAT FOR THE NEXT FOUR  
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TO FIVE YEARS SOME 70 PERCENT OF U.S. ASSISTANCE EFFORTS SHOULD BE TARGETED ON HELPING INDONESIA COPE WITH VITAL PROBLEMS OF FOOD PRODUCTION/DISTRIBUTION AND LOW RURAL EMPLOYMENT AND INCOMES. WE DO NOT ANTICIPATE GOI RESISTANCE TO THIS PROGRAM CONCENTRATION IN VIEW OF THE HIGH LEVEL CONCERN WHICH HAS RECENTLY ARisen OVER THE NATION'S FOOD PROBLEM, AND THE CLOSE WORKING RELATIONSHIPS WE HAVE

ESTABLISHED WITH TOP GOI PLANNERS AND GOI COUNTERPARTS WHO WILL BE RESPONSIBLE FOR PROJECT DEVELOPMENT. IN FACT, DURING MY INITIAL COURTESY CALL, MINISTER OF STATE COORDINATING THE ECONOMY, FINANCE AND INDUSTRIES WIDJOJO RECOMMENDED THAT THE U.S. PINPOINT ITS AID IN THE KEY SECTORS OF FAMILY PLANNING AND FOOD PRODUCTION.

C. IN ADDITION TO ACTIVITIES WE PROPOSE BELOW FOR BILATERAL AID FUNDING, WE WILL ENCOURAGE OTHER DONORS TO EXPAND THEIR ASSISTANCE TO AGRICULTURE AND WILL SEEK FULLER COORDINATION AMONG DONORS. WE PLAN TO URGE THE IBRD, AS THE LARGEST DONOR, TO TAKE THE LEAD IN A STUDY OF INCENTIVES AND DISINCENTIVES TO INCREASED PRODUCTION. AS THEIR AND OUR UNDERSTANDING IS IMPROVED REGARDING POLICY BARRIERS TO EXPANDED PRODUCTION, WE WILL SEEK TO BRING ABOUT NEEDED POLICY CHANGES. IN ADDITION TO OUR OWN EFFORTS, WE HOPE TO SEE THE IGGI BECOME A MORE EFFECTIVE INSTRUMENT FOR THIS PURPOSE.

D. THE FOLLOWING ARE THE AREAS IN WHICH WE BELIEVE THE U.S. ASSISTANCE CAN BE MOST EFFECTIVE:

I. AGRICULTURAL EDUCATION/MANPOWER DEVELOPMENT. PROBABLY THE MOST BASIC AND CERTAIN CONTRIBUTION WE CAN MAKE TO MODERNIZATION OF AGRICULTURE IN INDONESIA IS TO EXPAND TRAINING OF THE LEADERSHIP REQUIRED. SOLUTION TO MOST PROBLEMS WILL NEED TO BE PROVIDED BY INDONESIAN MANAGERS AND SCIENTISTS. ALTHOUGH LONG-TERM BY NATURE, WE SHOULD GIVE SPECIAL ATTENTION TO THE MANY OPPORTUNITIES TO ASSIST IN THIS AREA, AS JUSTIFIED BY OUR PRIOR INVESTMENT IN TRAINING PROGRAMS OVER PAST TWO DECADES WHICH IS PAYING SUCH LARGE DIVIDENDS TODAY. WITHOUT THIS POOL OF TRAINED MANPOWER, LIMITED AS IT IS, THE PRESENT OUTLOOK WOULD BE FAR DARKER. AMERICAN TECHNOLOGY AND EXPERTISE IN AGRICULTURE ARE RECOGNIZED AND APPRECIATED IN INDONESIA, AND INCREASED COLLABORATION WITH AMERICAN UNIVERSITIES IS DESIRED. AID NOW FINANCES A LIMITED OFFICIAL USE  
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UNIVERSITY CONTRACT TO WORK WITH THE SIX MOST ADVANCED FACULTIES OF AGRICULTURE. A PENDING CONTRACT WITH THE UNIVERSITY OF WISCONSIN WILL HELP INDONESIA'S LEADING COLLEGE OF AGRICULTURE (IPB) BECOME A CENTER OF EXCELLENCE HOPEFULLY TO PARALLEL THE PHILIPPINE AGRICULTURAL UNIVERSITY COMPLEX AT LOS BANOS. TWO ADDITIONAL U.S. UNIVERSITY CONTRACTS ARE PLANNED TO SUPPORT DEVELOPMENT OF THE RURAL DEVELOPMENT PROGRAM OF THE EIGHT COLLEGES IN THE EASTERN ISLANDS AS WELL AS FACULTIES OF AGRICULTURE LOCATED ON SUMATRA. I HOPE WE CAN MOVE QUICKLY WITH THESE. ALTOGETHER, THIS AMOUNTS TO A COMPREHENSIVE PLAN OF ASSISTANCE TO PROVIDE SKILLED AGRICULTURAL LEADERSHIP AND IN LOCATIONS WHERE IT IS NEEDED. OUR ROLE WILL BE PRIMARILY OF A TECHNICAL ASSISTANCE NATURE. THE PLANS DEVELOPED WILL IDENTIFY ADDITIONAL NEEDS, PARTICULARLY PHYSICAL FACILITIES, FOR CONSIDERATION BY OTHER DONORS SUCH AS THE WORLD BANK.

II. AGRICULTURAL RESEARCH. OUR RECENT REPLY TO THE DEPUTY SECRETARY'S REQUEST FOR ANALYSIS OF THE EFFECTIVENESS OF DEVELOPMENT ASSISTANCE PROJECTS INCLUDED A DETAILED ACCOUNT OF AID'S VERY SUCCESSFUL ON-GOING PROJECT WITH IRRI AT BOGOR AND

THE SPREAD OF THIS PROGRAM TO A COMPLEX OF APPLIED RESEARCH STATIONS ON SUMATRA. THESE PROJECTS, TOGETHER WITH RESEARCH SUPPORT FROM OTHER DONORS (IBRDAN JAPAN), HOLD OUT GOOD PROSPECTS FOR ESTABLISHING WITHIN INDONESIA THE CAPABILITY OF DEALING WITH THE SO-CALLED SECOND GENERATION OF PROBLEMS ACCOMPANYING THE GREEN REVOLUTION (I.E., PLANT HOPPER SPREAD "WERENG" DISEASE) WHICH MUST BE DEALT WITH SUCCESSFULLY IF THE EARLY PROMISE OF THE HIGH-YIELDING SEED VARIETIES IS TO BE REALIZED.

THE "WERENG" PEST REQUIRES SPECIAL AND URGENT ATTENTION.

THIS PEST WAS INITIALLY THOUGHT CONTROLLABLE BY BREEDING RESISTANCE TO THE PARTICULAR PEST INTO THE PLANT ITSELF.

THE IR-28 RICE VARIETY PROVED RESISTANT TO "WERENG" IN TRIAL PLANTINGS AND FOR SEVERAL REGULAR CROP SEASONS. UNFORTUNATELY, THE TYPE OF PLANT HOPPER (CALLED BIO-TYPE II) EVOLVED WHICH ATTACKED LIMITED OFFICIAL USE

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IR-28, LATER RICE VARIETIES (IR-34 AND IR-36) PROMISE TO BE RESISTANT TO "WERENG" BIO-TYPE II. THE CONTEST BETWEEN MAN'S INGENUITY AND THAT OF THE PEST CONTINUES. ONE PROBLEM WHICH HAS BEEN BROUGHT TO OUR ATTENTION IS LACK OF FUNDS BY THE MINISTRY OF AGRICULTURE TO PROCURE LIGHT TRAPS TO COLLECT PLANT HOPPERS AND ANOTHER DEVICE IN WHICH THE HOPPERS ARE EXPOSED TO DIFFERENT RICE VARIETIES TO TEST THE DEGREE

OF VULNERABILITY OF EACH. IF A MAJOR RESEARCH EFFORT IS NOT CARRIED OUT IN 1978, IT WILL ALMOST CERTAINLY BE IMPOSSIBLE TO MOUNT A MAJOR CAMPAIGN AGAINST THE PEST IN 1979. WE WILL DISCUSS THIS FURTHER WITH THE INDONESIANS AND FORWARD A FIRM PROPOSAL IF THESE DISCUSSIONS CONFIRM OUR PRESENT VIEW THAT WE SHOULD HELP MEET THIS NEED.

BASIC AGRICULTURAL RESEARCH UNDERWAY WILL CONTRIBUTE TO THE EMERGENCE OF A PACKAGE OF TECHNOLOGY AND KNOWLEDGE NEEDED FOR FARMING OF THE UPLAND AND RAINFED PODZOLIC SOILS FOUND IN SUMATRA AND OTHER ISLAND. A KEY ELEMENT OF THIS PROJECT IS DEVELOPMENT OF NEW CROPPING SYSTEMS FOR UPLAND AREAS IN WHICH CROPS OTHER THAN RICE WILL RECEIVE SPECIAL ATTENTION. WE WILL COME IN WITH PROJECT POSALS WHEN BASIC DATA ARE AVAILABLE.

PENDING AID PROJECTS WILL (1) ASSIST THE PLANNING DEPARTMENT OF THE MINISTRY OF AGRICULTURE IDENTIFY AND ANALYZE POLICY ISSUES AND COLLECT AND PROCESS DATA IN ORDER THAT THE BASIS FOR DEVELOPING NEW PROGRAMS AND ESTIMATING CROPS WILL BE MORE RELIABLE; (2) EXPAND THEPROGRAM OF THE AGRO-ECONOMIC SURVEY OF INDOESIA TO INCLUDE RURAL DYNAMICS STUDIES ESSENTIAL TO AN UNDERSTANDING OF THE ACTUAL CONDITIONS IN THE RURAL COMMUNITIES SPREAD ACROSS MANY ISLANDS AND AVAST AREA; AND (3) PROVIDE FOR QUICK RESPONSE TO REQUEST FOR TECHNICAL INPUTS FROM AMERICAN PUBLIC AND PRIVATE AGRICULTURAL INSTITUTIONS. THESE PROJECTS WILL PERMIT IN-DEPTH STUDY BY AMERCIAN, INDONESIAN AND OTHER SPECIALISTS OF SUCH RELATIVELY NEGLECTED TOPICS AS LAND TENURE, THE PLIGHT OF THE LANDLESS, RURAL INCOME DISTRIBUTION AND OTHER TOPICS OF SPECIAL RELEVANCE TO LONG-TERM SOCIAL AND POLITICAL STABILITY.

III. EXTENSION/RURAL DEVELOPMENT. IN INDONESIA WE HAVE

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EXPANDED THE TRADITIONAL CONCEPT OF "AGRICULTURAL EXTENSION" TO ENCOMPASS A BROAD RANGE OF INTERVENTIONS EITHER IN OR ON BEHALF OF VILLAGE/FARM DEVELOPMENT NOT INCLUDED UNDER FORMAL EDUCATION AND RESEARCH AS DESCRIBED IN THE TWO PARAS ABOVE. PROJECTS GROUPED UNDER THIS HEADING CROSS MINISTERIAL LINES AND OFTEN ARE MULTI-SECTORAL. THEY INCLUDE STRENGTHENING LOCAL GOVERNMENT AND COOPERATIVES, SMALL-SCALE FISHERIES, RURAL INFRASTRUCTURE SUCH AS RELATIVELY UNSOPHISTICATED IRRIGATION SCHEMES, FARM-TO-MARKET ROADS AND VILLAGE ELECTRIFICATION, AND "INTEGRATED AREAS DEVELOPMENT." MOST OF THESE PROJECTS CONTRIBUTE DIRECTLY TO FOOD PRODUCTION AND INCREASING RURAL INCOMES.

AGRICULTURAL WATER CONTROL LOOMS LARGE IN FOOD PRODUCTION PROGRAMS OF THE GOI AND MAJOR DONORS, WITH THE IFIS FINANCING MAJOR WORKS AND LARGE IRRIGATION SYSTEMS, AND AID SUPPORTING SYSTEMS OF LESSER MAGNITUDE AND SOPHISTICATION, OR AS PART OF AREA DEVELOPMENT PROJECTS. FEW IRRIGATION SYSTEMS OF WHATEVER SIZE ARE PRODUCING THE ANTICIPATED BENEFITS. ONE WIDESPREAD FAILURE IS DELAYED CONSTRUCTION OF TERRITAL DISTRIBUTION/DRAINAGE SYSTEMS DOWN TO FARM LEVELS; ANOTHER IS INADEQUACY OF ORGANIZED, SELF-SUSTAINING OPERATION AND MAINTENANCE AT THE WATER USER/FARMER LEVEL. USAID IS WORKING CLOSELY WITH CONCERNED GOI AGENCIES TO OVERCOME THESE PROBLEMS. A SUBSTANTIAL AMOUNT OF FUTURE FUNDING IS PLANNED FOR IMPROVEMENTS IN IRRIGATION PRACTICES AND FACILITIES. SPECIFIC PROPOSALS WILL BE FORWARDED AS SOON AS DETAILED INFORMATION BECOMES AVAILABLE.

WE BELIEVE RURAL ELECTRIFICATION IS A SECOND ELEMENT OF LOCAL LEVEL INFRASTRUCTURE APPROPRIATE FOR U.S. FINANCING. BESIDES HOME AND SOCIAL BENEFITS, IT PROMISES TO CONTRIBUTE TO FOOD PRODUCTION DIRECTLY BY FACILITATING OPERATION OF IRRIGATION PUMPS AND TO EXPAND RURAL EMPLOYMENT AS SMALL-SCALE ENTREPRENEURS RESPOND TO AVAILABILITY OF RELAIBLE AND MODERATELY PRICED ELECTRIC POWER.

FUNDS AND STAFF PERMITTING, POSSIBLY THROUGH TITLE III OF

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PL-480, WE COULD USEFULLY CONTRIBUTE TO IMPROVEMENT OF FARM-TO-MARKET ROADS AND UPPER WATERSHED MANAGEMENT/PROTECTION THROUGH TERRACING AND REFORESTATION, AND SIMULTANEOUSLY PROVIDE EMPLOYMENT FOR RUAL POOR.

ALTHOUGH COMPLEX AND NOT CALCULATED TO PRODUCE QUICK RESULTS, THE TWO AREAS DEVELOPMENT PROJECTS ALREADY SUPPORTED BY AID (LUWU AND CITANDUY) PROMISE TO PRODUCE SUBSTANTIAL AND LASTING BENEFITS. THESE PROJECTS MERIT CONTINUED SUPPORT AND EXAMINATION FOR REPLICATION. THEY ALSO SERVE AS MODELS FOR OTHER

DONORS. THEY PROVIDE IMPORTANT MODELS FOR TESTING THE RELATIVE MERITS OF MULTI-SECTORAL, AREA SPECIFIC, VERSUS TRADITIONAL SINGLE SECTOR, VERTICAL PROGRAMS.

AN IMPORTANT RECENT INITIATIVE HAS BEEN A PROGRAM TO HELP STRENGTHEN LOCAL GOVERNMENT CAPABILITY TO DESIGN AND IMPLEMENT DEVELOPMENT PROJECTS. THIS PROGRAM IS NOW GETTING UNDERWAY IN TWO PILOT PROVINCES. THE PLAN IS TO EXPAND TO ADDITIONAL PROVINCES EACH YEAR. DEVELOPMENT OF EFFECTIVE LOCAL ADMINISTRATORS IS A KEY ELEMENT OF THE SEVERAL PROJECTS PLANNED, AS IS INITIAL FUNDING FOR LOCALLY CONCEIVED, PREPARED AND EXECUTED DEVELOPMENT PROJECTS PLACING GREATER EMPHASIS ON STRENGTHENING LOCAL LEVEL MANAGERIAL DECISION-MAKING CAPABILITIES.

AS AID'S INVOLVEMENT IN THE AGRICULTURAL SECTOR EXPANDS, WE EXPECT THIS TO INCLUDE SOME FORM OF SUPPORT FOR THE MINISTRY OF AGRICULTURE'S EXTENSION SERVICE, EVEN THOUGH IBRD IS PROVIDING CONSIDERABLE SUPPORT TO THIS ACTIVITY. THE EXTENSION SERVICE REMAINS A WEAK LINK BETWEEN THE FARMER AND NEW TECHNOLOGY. WE HOPE TO BE ABLE TO PLAY A UNIQUE ROLE IN SUCH FIELDS AS USE OF MEDIA, TRAINING, AND MATERIALS, AND WE WILL BE WORKING WITH GOI AUTHORITIES TO DEVELOP PROJECT PROPOSALS.

#### 14. ADDITIONAL ACTIVITIES.

A. AID'S ANNUAL BUDGET SUBMISSION (ABS), TO BE SUBMITTED IN  
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MAY OR JUNE, WILL PROVIDE A FULLER RATIONALE FOR U.S. ASSISTANCE AND WILL CONTAIN SUMMARY DESCRIPTIONS (PID'S) OF NEW (FY 80) PROJECT PROPOSALS IN THESE AREAS. IT WILL ALSO OUTLINE OUR RECOMMENDED PROGRAM EMPHASIS THRU FY 1984. IN THE MEANTIME, THE AID MISSION AND I ARE CONSIDERING WHAT SPECIAL PROJECT PROPOSALS DESIGNED TO STRENGTHEN OUR RESPONSE TO THE FOOD PROBLEM WOULD BE APPROPRIATE FOR ADD-ONS TO THIS AND NEXT YEAR'S PROGRAMS. THREE IDEAS UNDER URGENT CONSIDERATION ARE A MARKETING PROJECT; A PROJECT TO HELP DEAL WITH AGRICULTURAL ELEMENTS OF THE IRRIGATION PROGRAMS; AND A CLEARING HOUSE FUNCTION FOR INFORMATION AND STUDIES ON AGRICULTURE. WE ALSO PLAN A CLOSER LOOK AT THE MINISTRY OF AGRICULTURE EXTENSION SERVICE TO SEE IF FURTHER TRAINING IS NEEDED, ALTHOUGH THIS IS AN AREA NOW RECEIVING A LARGE WORLD BANK LOAN. OVERALL, WE HAVE IDENTIFIED IRRIGATION AS A CRITICAL AREA THAT REQUIRES IMPROVEMENT ON A NUMBER FRONTS AND OUR EFFORTS ARE ALSO FOCUSED IN THAT DIRECTION. CURRENT HEAVY FOOD IMPORTS HAVE LED THE GOI TO FOCUS MORE ATTENTION ON RICE PRODUCTION AND ITS ATTENDANT IRRIGATION REQUIREMENTS. AS A RESULT, WE ARE BEING ENCOURAGED BY THE GOI TO CONTINUE AND EXPAND ASSISTANCE TO THIS CRITICAL AREA. UNDER THE ONGOING SEDERHANA IRRIGATION PROJECT IT IS ANTICIPATED THAT COMMENCING IN 1979 MORE THAN 200 SEPARATE IRRIGATION SYSTEMS WILL ANNUALLY BRING ABOUT 80,000 HECTARES OF PADDY INTO NEW OR

HIGHER PRODUCTION. FULLY PRODUCTIVE, THESE 80,000 HECTARES  
WOULD BE ABLE TO FEED THREE QUARTERS OF A MILLION PEOPLE A YEAR  
OR ABOUT 25 PERCENT OF THE CURRENT ANNUAL POPULATION INCREASE  
OF INDONESIA.

B. U.S. ECONOMIC ASSISTANCE FUNDED OR PROJECTED FOR FUNDING  
UNDER SECTION 103, THE FOOD AND NUTRITION SECTION OF THE FOREIGN  
ASSISTANCE ACT, FOR THE FIVE-YEAR PERIOD FY 75-79 AMOUNTS TO OVER  
\$200 MILLION. PL-480 PROGRAMS FOR THE SAME FIVE YEARS TOTAL  
AT LEAST \$500 MILLION, WITH SALES PROCEEDS EARMARKED PRINCIPALLY  
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FOR AGRICULTURAL USES. FOR PLANNING PURPOSES WE ASSUME IT  
REALISTIC TO PROJECT A DOUBLING OF BILATERAL ASSISTANCE UNDER  
SECTION 103 OVER THE FIVE YEARS BEGINNING IN FY 80. IT WOULD BE  
USEFUL IF THE DEPARTMENT AND AID WOULD ENDORSE THESE PLANNING  
FIGURES.

C. THE AGRICULTURAL/RURAL DEVELOPMENT ASSISTANCE PROGRAM  
AMD FUNDING DISCUSSED HERE ASSUMES, OF COURSE, THAT SUFFICIENT  
NUMBERS OF AID PROJECT PERSONNEL WILL BE MADE AVAILABLE AS  
NEEDED EFFECTIVELY TO PLAN, MANAGE AND SUPERVISE THE EXECUTION  
OF THE VARIOUS PROJECT ACTIVITIES. OUR PROGRAM PACKAGE OF PROJECTS  
RESPONDS DIRECTLY TO THE 1973 CONGRESSIONAL MANDATE, AS WELL  
AS THE GOI'S OBJECTIVES, AS EXPRESSED IN ITS REPELITAS. I HOPE  
THAT THE ONGOING AID/W REORGANIZATION INITIATIVES AND THE  
DIALOGUE WITH CONGRESS WILL PRODUCE A REALISTIC PERCEPTION AND  
PROVISION OF THE PERSONNEL AND OPERATING EXPENSES NEEDED  
TO CARRY OUT THE ACITIVITIES DISCUSSED IN THIS MESSAGE.

15. SPECIFIC RECOMMENDATIONS: MANY MAJOR AREAS OF AGRICULTURAL  
DEVELOPMENT IN INDONESIA ARE NOT YET READY FOR PROJECT  
PREPARATION BECAUSE BASIC DATA ARE STILL LACKING. IN A NUMBER  
OF OTHER AREAS IDENTIFIED IN THIS MESSAGE, THE INITIATIVE IS WITH  
US TO REFINE OUR THINKING AFER FURTHER COORDINATION WITH  
THE GOI AND POSSIBLY OTHER DONORS AND TO COME IN WITH SPECIFIC  
RECOMMENDATIONS. UNFORTUNATELY, THERE IS NO QUICK FIX TO THIS  
FOOD PROBLEM AND IN SOME AREAS WE ARE NOT YET PREPARED TO  
RECOMMEND DEFINITE COURSES OF ACTION EVEN IF FUNDS WERE  
IMMEDIATELY AVAILABLE. WE ARE, HOWEVER, TACKLING THIS AS A  
MATTER OF TOP PRIORITY AND EXPECT TO BE IN A POSITION TO  
SUGGEST SOME AREAS FOR INCREASED U.S. ATTENTION DURING  
FY 1978 AND FOR SIGNIFICANT ADD-ONS IN FY 1979. MEANWHILE, WE  
REQUEST THE FOLLOWING SPECIFIC ACTIONS BY WASHINGTON:

A. THAT PLANNING BE INITIATED WITHIN THE DEPARTMENT AND  
AID FOR A DOUBLING OF BILATERAL ASSISTANCE FOR FOOD PRODUCTION  
IN INDONESIA OVER THE NEXT FIVE YEARS AND FOR A STAFF ADEQUTE  
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TO ADMINISTER SUCH AN INCREASE. THE PAPER WE EXPECT TO COMPLETE IN MARCH ALONG WITH THE REGULAR ABS SUBMISSION IN MAY WILL IDENTIFY ADDAONS FOR THE FY 79 PROGRAM WE HOPE CAN BE FUNDED AS SHELF ITEMS, WILL CONTAIN PROJECT DESCRIPTIONS FOR FY 80, AND WILL OUTLINE PROJECTS FOR DEVELOPMENT IN THE SUBSEQUENT FOUR YEARS.

B. THAT THE DEPARTMENT AND AID AGREE THAT WE ENTER INTO A FORMAL DISCUSSION WITH WIDJOJO, IN LINE WITH HIS COMMENTS TO ME REGARDING PRIORITIES, AND SUBSEQUENTLY WITH THE MINISTRY OF AGRICULTURE TO REFINE WHAT WE CAN DO IN THE AGRICULTURAL SECTOR. RELATED TO THIS WOULD BE BETTER COORDINATIN AMONG DONORS; OUR COMMENTS ON THIS ARE REPORTED SEPARATELY. WE PROPOSE TO EXPLORE IN DEPTH POSSIBLE SUPPORT BY THE U.S. AND OTHER DONORS IN THE FIELDS OF IRRIGATION, STRENGTHENED RESEARCH, EXTENSION AND EMPHASIS ON AND INCENTIVES FOR MULTI-CROPPING.

C. THAT IN ANTICIPATION OF RECEIVING OUR REQUEST (PARA 13D II), WASHINGTON IMMEDIATELY INVESTIGATE WAYS IN WHICH WE MIGHT HELP MEET THE PLANT HOPPER PROBLEM (LIGHT TRAPS, OTHER DEVICES, AND TECHNICAL ADVICE).

D. THAT THE DEPARTMENT AND AID ENDORSE DOUBLING OF ASSISTANCE UNDER SECTION 103 (FOOD AND NUTRITION) OF THE FAA FOR THE FIVE YEARS BEGINNING FY 1980 (PARAGRAPH 14 B. OF THIS MESSAGE).

E. THAT WASHINGTON AGENCIES AGREE WE SHOULD MOVE AHEAD REAPIDLY TO INCLUDE TWO ADDITIONAL UNIVERSITY CONTRACTS TO SUPPORT COLLEGES IN EASTERN INDONESIA AND IN SUMATRA. MASTER UNQTE VANCE

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